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## OFFICE MEMORANDUM

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**DATE:** October 18, 2002

**TO:** Region Engineers  
Region Delivery Engineers  
TSC Managers  
Resident/Project Engineers  
Region Construction Engineers

**FROM:** Barbara J. Hayes  
Chief Administrative Officer

Larry E. Tibbits  
Chief Operations Officer

**SUBJECT:** Bureau of Highways Instructional Memorandum 2002-15  
Construction Subcontracting

The following procedures have been in place for several years and were developed to insure proper compliance with Code of Federal Regulations (CFR) 23, the Specification Book, and the Prequalification Rules, as they pertain to the subcontracting of construction and/or maintenance work on our projects.

Prime contractors may elect to use prequalified subcontractors to perform up to a maximum of 60 percent of the total contract amount. This percentage is monitored by Contract Services Division (CSD) for compliance throughout the life of the project whenever a subcontract is received. A subcontract is required for any work done on a project by any contractor other than the prime. Sub-subcontract work is allowed if the subcontractor has an approved subcontract in place and the requested sub-subcontractor is prequalified in the work categories to be performed. Sub-subcontract work is limited to a maximum of 50 percent of the total amount of the subcontract work to be performed.

In order for a subcontractor to begin work on a project, the project engineer needs confirmation from CSD that the subcontract has been approved. If that confirmation has not been received or is unavailable on the website as described below, the project engineer should contact Roger Mullins, Contract Services Division, at (517) 241-3755.

When a prime contractor wants to use a subcontractor to perform part of the work on a construction and/or maintenance project, or a subcontractor wants to sub-subcontract the work, an MDOT Subcontract Form 1302 must be completed, including:

- Signature of the prime contractor
- Signature of the proposed subcontractor
- Total dollar value of the subcontract
- Total dollar value of the same bid items in the prime contractor's proposal
- Description of work to be performed by the subcontractor
- Work completion date identified in the progress schedule
- Complete listing of line numbers, code numbers, and items of work, quantities, unit, unit prices, extended price totals, and a total price for the proposed subcontract.

Subcontract forms may be obtained from the project office, any MDOT Transportation Service Center, or MDOT's website at [www.mdot.mi.us/contractors](http://www.mdot.mi.us/contractors). If using the website, choose "forms," then under "search by number," type in 1302 and choose "go." Under "form number," choose 1302 and double click. The form is fillable, which means that information can be keyed on the computer. The completed form must be signed, as indicated above, and submitted to:

Contract Services Division  
Attn: Subcontracts  
Michigan Department of Transportation  
425 W. Ottawa Street, P.O. Box 30050  
Lansing, Michigan 48909

Form 1302, when received in CSD, will be reviewed, and approved or denied based on the information submitted and whether that information meets all standards and requirements for subcontracts or sub-subcontracts. The subcontractor or sub-subcontractor must be prequalified in the work categories for the work to be performed. Requests for additional information may be made by CSD staff if subcontract forms are incomplete or need clarification.

If requests to subcontract or sub-subcontract are approved, the requesting prime contractor, region engineer, resident engineer, and subcontractor responsible for the project are notified of the approval.

If requests to subcontract or sub-subcontract are denied, CSD staff will notify the contractor and the resident engineer of the denial and the reason(s) for that denial.

When either the subcontract or the sub-subcontract has been received and reviewed by Contract Services Division, the status can be tracked as outlined below:

Using MDOT's website to track subcontract status.

- Type in [www.mdot.mi.us/contractors](http://www.mdot.mi.us/contractors)
- Under "Financial," choose Construction Contract Inquiry
- Under "Select Report Type," choose Subcontracts and key in the Project Number

- Under status
  - “Approved” means that the subcontractor is approved to perform all items listed on their subcontract.
  - “Received” means that Contract Services has received the subcontract and either the project is not yet awarded or the subcontract was returned for additional information.
  - “Please call MDOT” means that either the subcontractor or sub-subcontractor is not prequalified, or the dollar amount of all the subcontracts exceeds 60 percent of the total contract dollar amount, or the sub-subcontract dollar amount exceeds 50 percent of the subcontract dollar amount.

Contract Services Division will only send copies of the subcontract upon approval. Approved subcontracts will be dated and initials in the “Approved as to form” line under MDOT use only at the bottom of the cover sheet on the subcontract.

Placement of subcontractors on the prime contractor’s payroll is neither uncommon nor illegal, although it is a practice that MDOT would generally discourage. This situation allows a subcontractor who may not be prequalified to perform work. All requirements of Section 108.01 of the 1996 and 2003 Interim Standard Specifications for Construction must be followed when subcontractors are added to the prime contractor’s payroll.

The 2003 Interim and 1996 Standard Specifications for Construction, Section 108.01, Subcontracting for Contract Work state:

“The contractor shall not subcontract any portion of the contract, except the furnishing of necessary materials, without the written approval of the department.”

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Chief Administrative Officer

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Chief Operations Officer

BFA:MF:CSD:WER:kv

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cc: C & T Division Staff  
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